

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
(A Component Unit of Blount County, Tennessee)
Maryville, Tennessee

FINANCIAL STATEMENTS

June 30, 2008

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
June 30, 2008

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**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE
(A Component Unit of Blount County, Tennessee)
Maryville, Tennessee**

INTRODUCTORY SECTION

For the Fiscal Year Ended June 30, 2008

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
LIST OF PRINCIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2008

Executive Director	Ron Ogle (terminated 6-15-08)
Project Manager	Dale Patty
Accountant	Marie Stuckwish (resigned 8-15-08)
Administrative Assistant	Marlene Hodge (resigned 8-15-08)

Board Members:

Chairman	Harry Kidwell (resigned 6-27-08)
Vice Chairman	Jeff Hodge
Secretary-Treasurer	Leroy Painter (resigned 6-27-08)
Assistant Secretary	Foraker Lambdin (resigned 6-20-08)

Other Board Members:

John Lambert, Jr.	Dan Campbell (resigned 6-20-08)
	Darrell Tipton



Joe S. Ingram, CPA
Lonas D. Overholt, CPA
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September 19, 2008

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Public Building Authority of
Blount County, Tennessee
Maryville, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Public Building Authority of Blount County, Tennessee, (PBA) (a component unit of Blount County, Tennessee) as of and for the fiscal year ended June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of PBA's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of PBA, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, the Public Building Authority of Blount County, Tennessee (PBA) currently has two projects due for completion in July 2008 with no other projects scheduled. In the current year, the PBA also experienced major operational changes including requirements for written contracts, as well as a Blount County Commission resolution which provided PBA more operational independence. The financial statements do not include any adjustments relating to the amounts and classifications of liabilities that might be necessary should the PBA have no more projects after those currently in progress and/or support from Blount County, Tennessee.

The accompanying required supplementary information on pages 6 through 8 (Management's Discussion and Analysis) is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 19, 2008, on our consideration of PBA's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise PBA's basic financial statements. The accompanying financial information listed as Other Supplemental Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of PBA, a component unit of Blount County, Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ingram, Overholt & Bean, P.C.



September 19, 2008

Our discussion and analysis of The Public Building Authority of Blount County, Tennessee's (PBA) (a component unit of Blount County, Tennessee) financial performance provides an overview of the PBA's activities for the year ended June 30, 2008. Please read it in conjunction with the PBA's financial statements as described in the Table of Contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the PBA as a whole and present a long-term view of the PBA's finances.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the PBA's finances is "Is the PBA better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the PBA and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the PBA's net assets and changes in them. You can think of the PBA's net assets – the difference between assets and liabilities – as one way to measure the PBA's financial health, or financial position. Over time, increases or decreases in the PBA's net assets are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

The operations of The Public Building Authority of Blount County (a component unit of Blount County, Tennessee) are primarily funded by the issuance of Public Facility Bonds which are loaned to other entities, such as Blount County, for public facility projects. The PBA manages and oversees these projects. Since 1997, the PBA has managed 46 projects in excess of \$178 million dollars. Due to the unique authorities provided PBA under Tennessee law and PBA management, the taxpayers of Blount County have realized estimated savings in excess of \$30 million on these projects.

Projects completed in 2008 include: System Improvement Program for Blount County School facilities, Union Grove Elementary School, and Union Grove Middle School.

NET ASSETS

The analysis below focuses on the net assets and changes in net assets of the PBA:

	<u>2008</u>	<u>2007</u>
Current assets	\$ 13,239,548	\$ 36,934,347
Capital assets, net of accumulated depreciation	8,537	11,642
Long-term assets, net	242,130,000	1,154,560,000
Other assets	<u>1,534,093</u>	<u>1,050,456</u>
Total Assets	<u>256,912,178</u>	<u>1,192,556,445</u>
Current liabilities	<u>13,166,613</u>	<u>36,852,877</u>
Non-Current liabilities	<u>242,130,000</u>	<u>1,154,560,000</u>
Net Assets:		
Invested in Capital Assets	8,537	11,642
Unrestricted	<u>1,607,208</u>	<u>1,131,926</u>
Total Net Assets	<u>\$ 1,615,565</u>	<u>\$ 1,143,568</u>

Net assets of the PBA increased during the current year by \$471,997. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, increased by 30%.

FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The following is a related schedule of ratios:

	<u>2008</u>	<u>2007</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 72,935	\$ 81,470
Current Ratio (compares current assets to liabilities – as an indicator of the ability to pay current obligations)	94	80

DEBT

At the fiscal year end, the PBA had outstanding bonds totaling \$244,570,000 – all proceeds having been loaned to Blount County, Tennessee and/or component units.

BUDGETS

There were no variances between the originally adopted budget and final budget for the fiscal year ended June 30, 2008.

CONTACTING THE PBA

This financial report is designed to provide our citizens with a general view of the PBA's finances and to show the PBA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Blount County Public Building Authority.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –
STATEMENT OF NET ASSETS AND GOVERNMENT FUNDS BALANCE SHEET
June 30, 2008

	Governmental Activities					Statement of Net Assets June 30, 2008
	<u>General</u>	<u>Loan Fund</u>	<u>Bond Fund</u>	<u>Total</u>	<u>Adjustments</u>	
<u>ASSETS</u>						
Current Assets						
Cash and cash equivalents	\$ 73,354	\$ 10,725,598	\$ -	\$ 10,798,952	\$ -	\$ 10,798,952
Construction projects in progress						
receivable	596	-	-	596	-	596
Receivables	-	2,440,000	-	2,440,000	-	2,440,000
Total Current Assets	<u>73,950</u>	<u>13,165,598</u>	<u>-</u>	<u>13,239,548</u>	<u>-</u>	<u>13,239,548</u>
Capital Assets, net of Accumulated						
Depreciation	-	-	-	-	8,537 (4)	8,537
Non Current Assets:						
Long-term receivables	-	-	-	-	242,130,000 (1)	242,130,000
Other Assets:						
Bond Closing Costs, net of						
amortization of \$116,550	-	-	-	-	1,534,093 (3)	1,534,093
Total Assets	<u>\$ 73,950</u>	<u>\$ 13,165,598</u>	<u>\$ -</u>	<u>\$ 13,239,548</u>	<u>243,672,630</u>	<u>256,912,178</u>
<u>LIABILITIES</u>						
Current Liabilities:						
Accounts payable	\$ 419	\$ -	\$ -	\$ 419	-	419
Undrawn loan agreements -						
Blount County, TN	-	10,725,598	-	10,725,598	-	10,725,598
Construction payable	596	-	-	596	-	596
Public Facility Bonds Payable	-	2,440,000	-	2,440,000	-	2,440,000
Total Current Liabilities	<u>1,015</u>	<u>13,165,598</u>	<u>-</u>	<u>13,166,613</u>	<u>-</u>	<u>13,166,613</u>
Non Current Liabilities:						
Bonds payable	-	-	-	-	(242,130,000) (1)	242,130,000
<u>FUND BALANCE</u>						
Fund Balance – reserved by PBA						
Board for operations	<u>72,935</u>	<u>-</u>	<u>-</u>	<u>72,935</u>	<u>(72,935) (2)</u>	<u>-</u>
Total Liabilities and						
Fund Balance	<u>\$ 73,950</u>	<u>\$ 13,165,598</u>	<u>\$ -</u>	<u>\$ 13,239,548</u>		
<u>NET ASSETS</u>						
Invested in Capital Assets					8,537 (2)	8,537
					72,935 (2)	-
Unrestricted					<u>1,534,093 (2)</u>	<u>1,607,028</u>
Total Net Assets					<u>\$ 1,615,565</u>	<u>\$ 1,615,565</u>

Amounts reported for governmental activities in the Statement of net assets are different because:

- (1) Long-term assets and liabilities are not available for current period revenues and expenditures and therefore are deferred in the funds
- (2) Equity is reported as Net Assets in government-wide financial statements and as fund balance in fund financial statements
- (3) Bond closing costs are expensed in the fund financial statements and capitalized in the statement of net assets.
- (4) Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
COMBINED GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
For the year ended June 30, 2008

	Governmental Activities			Total Governmental Funds	Adjustments	Statement of Activities
	<u>General</u>	<u>Loan Fund</u>	<u>Bond Fund</u>			
Revenues:						
Interest	\$ 1,958	\$ 803,505	\$ -	\$ 805,463	\$ -	\$ 805,463
Intergovernmental	<u>3,401,512</u>	<u>-</u>	<u>-</u>	<u>3,401,512</u>	<u>-</u>	<u>3,401,512</u>
Total Revenues	<u>3,403,470</u>	<u>803,505</u>	<u>-</u>	<u>4,206,975</u>	<u>-</u>	<u>4,206,975</u>
Expenditures:						
Administrative	228,079	-	-	228,079	47,962 (3)(5)	276,041
Construction expenses	<u>3,183,926</u>	<u>-</u>	<u>-</u>	<u>3,183,926</u>	<u>-</u>	<u>3,183,926</u>
Total Expenditures	<u>3,412,005</u>	<u>-</u>	<u>-</u>	<u>3,412,005</u>	<u>47,962</u>	<u>3,459,967</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,535)</u>	<u>803,505</u>	<u>-</u>	<u>794,970</u>	<u>(47,962)</u>	<u>747,008</u>
Other Financing Sources (Uses):						
Bond Proceeds	-	50,500,000	-	50,500,000	(50,500,000) (1)	-
Bond Closing Cost	-	(450,636)	-	(450,636)	450,636 (5)	-
Loans to Blount County, Tennessee	-	(69,325,740)	-	(69,325,740)	69,325,740 (4)	-
Bond Receipts	-	-	2,335,000	2,335,000	(2,335,000) (2)	-
Interest Receipts	-	-	14,133,277	14,133,277	-	14,133,277
Bond Payments	-	-	(2,335,000)	(2,335,000)	2,335,000 (2)	-
Interest Payments	-	-	(12,637,702)	(12,637,702)	-	(12,537,702)
Debt Service Agent Fees	-	(326,132)	(1,444,454)	(1,770,586)	-	(1,770,586)
Operating Transfers	-	51,121	(51,121)	-	-	-
Prior Years Bond Proceeds	<u>-</u>	<u>18,747,882</u>	<u>-</u>	<u>18,747,882</u>	<u>(18,747,882) (6)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(803,505)</u>	<u>-</u>	<u>(803,505)</u>	<u>528,494</u>	<u>(275,011)</u>
Change in Net Assets	(8,535)	-	-	(8,535)	480,532	471,997
Net Assets –July 1	<u>81,470</u>	<u>-</u>	<u>-</u>	<u>81,470</u>	<u>1,062,098</u>	<u>1,143,568</u>
Net Assets – June 30	<u>\$ 72,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,935</u>	<u>\$ 1,542,630</u>	<u>\$ 1,615,565</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

- (1) Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.
- (2) Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.
- (3) Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds – \$(8,537).
- (4) Loans are increases in long-term receivables.
- (5) Bond closing costs are amortized over life of the bonds issued – \$56,499.
- (6) Prior years bond proceeds

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest earned	\$ 2,000	\$ 2,000	\$ 1,958	\$ (42)
Intergovernmental reimbursements	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,401,512</u>	<u>(98,488)</u>
Total Revenues	<u>3,502,000</u>	<u>3,502,000</u>	<u>3,403,470</u>	<u>(98,530)</u>
Expenditures:				
Salaries and payroll taxes	175,000	175,000	173,859	1,141
Administrative expenses	85,470	85,470	54,220	31,250
Construction expense	<u>3,241,530</u>	<u>3,241,530</u>	<u>3,183,926</u>	<u>57,604</u>
Total Expenditures	<u>3,502,000</u>	<u>3,502,000</u>	<u>3,412,005</u>	<u>89,995</u>
Net Change in Fund Balance	-	-	(8,535)	(8,535)
Fund Balance – July 1, 2007	<u>81,470</u>	<u>81,470</u>	<u>81,470</u>	<u>-</u>
Fund Balance – June 30, 2008	<u>\$ 81,470</u>	<u>\$ 81,470</u>	<u>\$ 72,935</u>	<u>\$ (8,535)</u>

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
LOAN FUND – SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest earned	\$ 800,000	\$ 803,505	\$ 803,505	\$ -
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>800,000</u>	<u>803,505</u>	<u>803,505</u>	<u>-</u>
Other Financing Sources (Uses):				
Public Facility Bond Proceeds	50,500,000	50,500,000	50,500,000	-
Public Facility Bond Issue Costs	(500,000)	(500,000)	(450,636)	49,364
Loans to Blount County, Tennessee	(70,575,000)	(70,575,000)	(69,325,740)	1,249,260
Debt Service Agent Fees	(325,000)	(325,000)	(326,132)	(1,132)
Prior Years Bond Proceeds	20,000,000	20,000,000	18,747,882	(1,252,118)
Operating Transfers	<u>100,000</u>	<u>96,495</u>	<u>51,121</u>	<u>(45,373)</u>
Total Other Financing Sources (Uses)	<u>(800,000)</u>	<u>(803,505)</u>	<u>(803,505)</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance – July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance – June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
BOND FUND – SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest earned	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Other Financing Sources (Uses):				
Debt Service Fees - Receipts	-	-	-	-
Principal and interest payments received	14,639,666	14,639,666	16,468,277	1,828,611
Bond principal payment	(2,335,000)	(2,335,000)	(2,335,000)	-
Bond interest payments and SWAP interest	(11,804,666)	(11,804,666)	(12,637,702)	(833,036)
TN Loan Program Administration fees	(400,000)	(400,000)	(411,856)	(11,856)
Liquidity and Remarketing fees	-	-	(823,331)	(823,331)
Bond Insurance	-	-	(209,267)	(209,267)
Operating transfers	<u>(100,000)</u>	<u>(100,000)</u>	<u>(51,121)</u>	<u>48,879</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance – July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance – June 30, 2008	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Public Building Authority of Blount County, Tennessee (PBA), a component unit of Blount County, Tennessee, complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. FINANCIAL REPORTING ENTITY

The Public Building Authority of Blount County, Tennessee, chartered as a Tennessee non-profit corporation (July 1, 1997), is a component unit of Blount County, Tennessee. The County Commission approves all Board members and has financial accountability for the PBA.

The PBA, pursuant to the Public Building Authorities Act of 1971, Title 12, Chapter 10, Tennessee Code Annotated, was organized for the purpose of constructing, acquiring, repairing and renovating public facilities to improve the quality of life, and the health, safety, and welfare of the citizens, and the borrowing of funds and the execution of loan agreements, leases, and interest note swap agreements, with municipal corporations for the purpose of financing any undertaking that is eligible to be financed by bonds, notes, interim certificates or other obligations issued. The PBA has no power to obligate Blount County. The County is entitled to the net earnings of the PBA after provision for all current obligations and future projects of the PBA.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the PBA or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued):

- c. Any fund which government officials believe is important. The PBA considers all funds as major funds.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the PBA and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The PBA accounts for loans made and bonds issued in the loan and bond funds, respectively.

Major Fund

The funds are further classified as follows:

<u>Major Fund:</u>	<u>Brief Description</u>
General	It is used to account for all activities except those legally or administratively required to be accounted for in other funds.
Special Revenue Funds:	
Bond Fund:	It is funded by proceeds of specific revenue sources that are restricted to expenditures for certain purposes.
Loan Fund:	It is funded by proceeds for repaying loans made to other entities and restricted to expenditures for certain purposes.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, cash includes all demand and money market accounts, of the PBA.

Investments are carried at fair value. Fair value is based on quoted market price.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

In the fund financial statements, receivables in governmental funds include intergovernmental revenues since they are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual but not deferred in the government-wide financial statements in accordance with the accrual basis. There were no nonexchange transactions as of June 30, 2008. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt and accumulated depreciation.
- b. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

E. REVENUES, EXPENDITURES, AND EXPENSES

Revenues and Expenses

Revenues and expenses include all items not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

F. BUDGETARY ACCOUNTING

The PBA's Board of Directors adopts an Operating Fund annual budget which provides the basis for control of financial operations during the fiscal year. The same basis of accounting is used to reflect actual revenues and expenditures. All unencumbered budget appropriations lapse at the end of the fiscal year. The budgetary level of control is each major fund. Management can make budget revisions within each major fund, but only the Board of Directors may transfer appropriations between major funds.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental component unit, the PBA is subject to various federal, state, and local laws and contractual regulations. An analysis of the PBA's compliance with significant laws and regulations and demonstration of its stewardship over the PBA resources follows:

A. FUND ACCOUNTING REQUIREMENTS

The PBA complies with all state and local laws and regulations requiring the use of separate funds. There are no legally required funds used by the PBA.

B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all deposits of municipal funds in financial institutions must be federally insured or secured with acceptable collateral.

C. FUND BALANCE RESTRICTIONS

Deficit Prohibition

State of Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The PBA complied with this statute in all material respects for the year ended June 30, 2008.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3. CASH AND INVESTMENTS

Cash – All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds accounts for the State of Tennessee and its political subdivisions.

Investments – The PBA is authorized to make investments in bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government. Cash in excess of current requirements is on deposit with a financial institution in obligations guaranteed by the U.S. Government. Cash and cash equivalents consist of demand deposits and obligations of the U.S. Treasury with an original maturity of 90 days or less. At June 30, 2008, cash and cash equivalents amounted to \$10,798,952.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Treasury notes are securities that are held by the Authority's agent.

Interest Rate Risk – The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses from increasing interest rate risks. However, a substantial portion of the investments have maturity dates of ninety (90) days thus limiting its exposure to this type of risk.

Credit Risk – The Authority has no limit on the amount it may invest in any one issuer. More than 99% of the Authority's cash and cash equivalents are invested in commercial paper (Treasury notes) that has various maturity dates of ninety (90) days or less.

NOTE 4. GENERAL LONG-TERM DEBT/BONDS PAYABLE/LOAN AGREEMENT

A summary of bond transactions of the Authority for the period from July 1, 2007 through June 30, 2008 is as follows:

	<u>Public Facility Bonds</u>
Debt payable July 1, 2007	\$ 196,405,000
Issued during the period	50,500,000
Debt retired	<u>(2,335,000)</u>
Debt Payable - June 30, 2008	<u>\$ 244,570,000</u>

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. GENERAL LONG-TERM DEBT/BONDS PAYABLE/LOAN AGREEMENT (Continued)

Bonds payable at June 30, 2008 are comprised of the following issues:

<u>Public Facility Bonds</u>	<u>Amount Outstanding</u>
\$10,000,000 – 1997 Public Facility Bonds due in installments of \$395,000 to \$745,000 through March 1, 2019; interest ranging from 4% to 5.2%	\$ 6,430,000
\$20,000,000 – 1998 Public Facility bonds due in installments of \$895,000 to \$1,660,000 beginning April 1, 2002 to April 1, 2019 interest from 4% to 5.2%	14,495,000
\$7,000,000 – 1999 Public Facility Bonds due in installments of \$300,000 to \$575,000 through June 30, 2019, interest ranging from 4.15% to 5.40%	4,970,000
\$4,100,000 – 2000 Public Facility Bonds due in installments of \$200,000 to \$400,000 through December 1, 2015, interest (variable) estimated at 6%	2,600,000
\$39,000,000 – 2001 Public Facility Bonds due in installments of \$1,515,000 to \$8,210,000 through June 1, 2023, interest LIBOR based SWAP of 4.72%	39,000,000
\$20,000,000 – 2001 Public Facility Bonds due in installments of \$7,415,000 to \$12,585,000 through June 30, 2030 and June 30, 2031, respectively, interest LIBOR based SWAP of 4.74%	20,000,000
\$10,000,000 – 2001 Public Facility Bonds due in installments of \$6,430,000 and \$3,570,000 in June 2030 and June 2031 respectively, interest at 5%	10,000,000
\$9,100,000 – 2002 Public Facility Bonds due in installments of \$550,000 to \$125,000 through June 2018, interest at variable rate – estimated at 5%	6,925,000
\$10,000,000 – 2004 Public Facility Bonds due in installments of \$1,500,000 and \$8,500,000 in June 2027 and June 2028, respectively, interest at variable rate - estimated at 5%	10,000,000
\$14,000,000 – 2005 Public Facility Bonds due in Installments of \$4,000,000 in June 2024, 2025 and 2026 and \$2,000,000 in June 2027, respectively, interest at variable rate – estimated at 5%	14,000,000

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. GENERAL LONG-TERM DEBT/BONDS PAYABLE/LOAN AGREEMENT (Continued)

Bonds payable at June 30, 2008 are comprised of the following issues: (Continued)

<u>Public Facility Bonds</u>	<u>Amount Outstanding</u>
\$13,650,000 – 2005 Public Facility Bonds due in installments of \$400,000 in June 2012 through June 2016 and installments beginning June 2024 through June 2027 ranging from \$2,300,000 to \$3,775,000; interest at 5%	13,650,000
\$35,000,000 – 2006 Local Government Improvement Bonds due in installments of \$1,000,000 beginning June 2024 through June 2028 and \$5,000,000 beginning June 2032 through June 2037; interest at 5%	35,000,000
\$2,000,000 – 2006 Local Government Improvement Bonds due in installments ranging from \$100,000 to \$200,000 payable June 2008 through June 2021; interest at 5.982%	2,000,000
\$15,000,000 – 2007 Local Government Improvement Bonds due in installments ranging from \$1,600,000 to \$3,450,000 payable September 2007 through August 2037; interest payable quarterly at 5%	15,000,000
\$50,500,000 – 2008 Local Government Improvement Bonds due in installments ranging from \$1,000,000 to \$8,500,000 payable June 2024 through June 2037, Interest payable annually at 5%	<u>50,500,000</u>
Total Bonds Outstanding	<u>\$ 244,570,000</u>

The annual requirements to amortize all bonds outstanding as of June 30, 2008, including interest payments are \$479,767,942 as follows:

<u>Year Ending June 30th</u>	<u>Total Bond and Interest Requirement</u>	<u>BOND TOTAL</u>	
		<u>Bond</u>	<u>Interest</u>
2009	\$ 14,503,236	\$ 2,440,000	\$ 12,063,236
2010	14,626,570	2,555,000	12,071,570
2011	14,588,539	2,655,000	11,933,539
2012	14,968,977	3,180,000	11,788,977
2013	<u>14,911,642</u>	<u>3,290,000</u>	<u>11,621,642</u>
Subtotal	<u>73,598,964</u>	<u>14,120,000</u>	<u>59,478,964</u>
2014	14,566,521	3,120,000	11,446,521
2015	14,621,380	3,345,000	11,276,380
2016	14,570,877	3,470,000	11,100,877
2017	15,245,407	4,315,000	10,930,407
2018	<u>17,234,414</u>	<u>6,530,000</u>	<u>10,704,414</u>
Subtotal	<u>76,238,599</u>	<u>20,780,000</u>	<u>55,458,599</u>

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. GENERAL LONG-TERM DEBT/BONDS PAYABLE/LOAN AGREEMENT (Continued)

Year Ending June 30 th	Total Bond and Interest Requirement	BOND TOTAL	
		Bond	Interest
2019	17,113,053	6,740,000	10,373,053
2020	17,125,322	7,095,000	10,030,322
2021	17,166,034	7,490,000	9,676,034
2022	17,202,262	7,900,000	9,302,262
2023	<u>18,261,042</u>	<u>9,340,000</u>	<u>8,921,042</u>
Subtotal	<u>86,867,713</u>	<u>38,565,000</u>	<u>48,302,713</u>
2024	16,953,750	8,435,000	8,518,750
2025	16,873,750	8,770,000	8,103,750
2026	16,772,500	9,100,000	7,672,500
2027	16,660,000	9,435,000	7,225,000
2028	<u>16,506,250</u>	<u>9,670,000</u>	<u>6,836,250</u>
Subtotal	<u>83,766,250</u>	<u>45,410,000</u>	<u>38,356,250</u>
2029	16,571,250	10,335,000	6,236,250
2030	17,803,500	12,075,000	5,728,500
2031	17,926,666	12,785,000	5,141,666
2032	17,725,000	13,200,000	4,525,000
2033	<u>17,865,000</u>	<u>14,000,000</u>	<u>3,865,000</u>
Subtotal	<u>87,891,416</u>	<u>62,395,000</u>	<u>25,496,416</u>
2034	17,865,000	14,700,000	3,165,000
2035	17,830,000	15,400,000	2,430,000
2036	17,860,000	16,200,000	1,660,000
2037	<u>17,850,000</u>	<u>17,000,000</u>	<u>850,000</u>
Subtotal	<u>71,405,000</u>	<u>63,300,000</u>	<u>8,105,000</u>
Totals	<u>\$ 479,767,942</u>	<u>\$ 244,570,000</u>	<u>\$ 235,197,942</u>

All of the Public Facility Bond issues were loaned to Blount County, Tennessee and/or component units in separate loan agreements dated from 1997 through 2008. The proceeds are to be used to finance (1) construction and equipping of school buildings and facilities in and for Blount County and construction of improvements to and equipping of existing school buildings and facilities, including the acquisition of land and interests in land, and the payment of funds to the City of Maryville and the City of Alcoa to be used for capital improvements to educational facilities of the Maryville school system and the Alcoa school system, respectively, (2) acquisition of land and interests in land for and the construction and equipping of library buildings and facilities in and for Blount County, (3) reimbursement to Blount County for funds spent for said projects from available funds of Blount County, and (4) the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance of the Bonds. Thus, Blount County is obligated for the above annual principal and interest payments for the Public Facility Bonds. See Notes 8 and 9 for Local Government Public Improvement Bonds Issued and Conduit Debt.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts, theft of assets, errors and omissions, and natural disasters. Commercial insurance for the risks of losses to which the entity is exposed are provided through policies issued jointly with Blount County, Tennessee. For the year ended June 30, 2008, no insurance claims are pending or payable. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three (3) fiscal years.

NOTE 6. AGREEMENTS AND CONTRACTURAL OBLIGATIONS

Special Revenue Funds:

During the years ended June 30, 1997 through June 30, 2008, the PBA entered into twelve loan agreements with Blount County, Tennessee, whereby PBA has issued revenue bonds amounting to \$222,350,000 as listed below. The proceeds are available for loan to Blount County and component units for various capital projects. The bond issued and loans drawn by Blount County, Tennessee as of June 30, 2008 are as follows:

<u>Bond Issue Amount</u>	<u>Loaned to Blount County, Tn</u>
\$ 39,000,000	\$ 39,000,000
20,000,000	20,000,000
4,100,000	4,100,000
10,000,000	10,000,000
9,100,000	9,100,000
10,000,000	10,000,000
14,000,000	14,000,000
13,650,000	13,650,000
35,000,000	35,000,000
2,000,000	2,000,000
15,000,000	15,000,000
50,500,000	39,774,402

General Fund:

During the year ended June 30, 2008, two projects were completed. The school projects (Union Grove Elementary and Union Grove Middle) completed were funded by the Blount County Board of Education under supervision of the PBA.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. AGREEMENTS AND CONTRACTURAL OBLIGATIONS (Continued)

Expenditures were as follows during the fiscal year ended June 30, 2008:

Construction:	
New West Side Middle School (Union Grove)	\$ 2,165,747
West Side Elementary (Union Grove)	940,109
Schools – Operations & Maintenance Phase IV	<u>78,070</u>
Total Construction	<u>\$ 3,183,926</u>
Administration:	
Salaries and payroll taxes	\$ 173,859
Other Administrative Expense	<u>54,220</u>
Total Administration	<u>\$ 228,079</u>

NOTE 7. LITIGATION

Information provided by the attorney for the Authority indicates there are no potential claims or litigation pending against the Authority.

NOTE 8. LOCAL GOVERNMENT PUBLIC IMPROVEMENT BONDS

The Public Building Authority of Blount County, Tennessee approved a resolution authorizing the issuance and sale of Local Government Improvement Bonds of the Authority not to exceed \$1.75 billion. Cumberland Securities, Division of Morgan Keegan & Co., Knoxville, TN, will purchase each Series of Bonds authorized by this resolution. Management and administration of the bonds will be by TN-LOANS Program Administrators, Knoxville, TN. Regions Bank was confirmed as Trustee for the Loan Program. Bonds totaling \$1,251,605,000 has been issued on behalf of the following entities: Cities of Oak Ridge, Knoxville, Fayetteville, Hendersonville, Alcoa, Etowah, Greenville, Lexington, Maryville, Winchester, Johnson City, Morristown, Cleveland, Mt. Juliet, Sevierville, Erwin, and Red Bank; Counties of Blount, Roane, Claiborne, Jefferson, Monroe, Coffee, Hamblen, Morgan, Warren, Greene, Campbell, Washington, Cocke, Cumberland, Hawkins, White, Bradley, and Johnson; Cleveland Utilities Board, Hamblen (MHH), and Blount County Industrial Development Board.

NOTE 9. CONDUIT DEBT/FUNDS HELD BY TRUSTEE

The Public Building Authority has issued conduit debt (Note 8) to provide capital financing for specified third parties that is not a part of the Public Building Authority's financial reporting entity. The Authority has issued bonds totaling \$1,251,605,000 to other governmental entities (Note 8) as of June 30, 2008. The proceeds of the bonds are used to make loans to governmental entities in the State of Tennessee possessing general powers of taxation to finance public facility projects. The proceeds are loaned pursuant to a loan agreement, whereas the borrower pledges revenues and receipts therefrom, which are pledged by the Authority to the Bond Trustee. The Authority has no obligation for the issued debt beyond the resources provided by related loan agreements.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 10. CAPITAL ASSETS

Capital assets at June 30, 2008 consist of a vehicle being depreciated over five years using the straight-line method of depreciation. Depreciation expense for the year ended June 30, 2008, amounted to \$3,105.

Schedule of changes in Capital Assets:

	<u>Balance 6-30-2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-2008</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicle	<u>\$ 15,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,523</u>	<u>\$ 6,986</u>	<u>\$ 8,537</u>

NOTE 11. BOND ISSUE COSTS/AMORTIZATION

Bond issue costs incurred are being amortized over the life of the bond issues. Costs amounting to \$500,325, \$94,156, \$476,825, \$185,200, and \$450,636 are being amortized over the applicable life of the bond issues. Amortization expense amounted to \$56,499 for the year ended June 30, 2008.

NOTE 12. PAYROLL AND PERSONNEL

Salaries and benefits for PBA personnel totaled \$173,859 for the year ended June 30, 2008. Certain employees also participate in the Tennessee Consolidated Retirement System (TCRS) through Blount County, Tennessee, and the director participated in a separate retirement plan. Contributions to the plans totaled \$23,013 for the year ended June 30, 2008.

Contributions to the TCRS system are determined on an actuarial reserve basis and provide funding for both normal and supplemental liability costs. The frozen initial liability method, a projected benefit cost method, is used to value the plan. All supplemental liabilities are amortized over a 40-year period which began July 1, 1975 (or the political subdivision's date of participation, if later). The supplemental liability for the basic benefits and cost-of-living benefits is amortized as a level dollar amount. It is the policy of the plan to fund pension costs accrued.

Political subdivisions, such as the Authority, participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan.

An actuarial valuation is made every two years, the most recent having been completed June 30, 2007. For valuation purposes, equities were valued based on a five-year moving market average, while debt securities are valued at amortized costs.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 12. PAYROLL AND PERSONNEL (Continued)

An experience study of the system is conducted every four years, the most recent as of June 30, 2004. The 2007 valuation was conducted using assumptions that resulted from the June 30, 2004 study.

Amounts pertaining to the supplemental liability for the pension plan and accumulated assets in the plan, and the actuarially computer present value of vested benefits in excess of net assets of the pension fund, are not identifiable for the Authority.

NOTE 13. GOING-CONCERN IMPLICATIONS

During the prior and current year, the PBA experienced major operational changes, including requirements for written contracts, as well as a Blount County Commission Resolution which made PBA responsible for independent operation. The County Mayor advised the PBA Board that the PBA would not be given any future County Projects. With operating funds at a minimum and no other projects scheduled, the PBA will not be able to continue in existence after the two current projects are completed. The PBA will have no other choice but to lay off employees and terminate all project and facility management activities.

OTHER SUPPLEMENTAL INFORMATION

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
**SCHEDULE OF BOND PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR**
June 30, 2008

Fiscal Year Ending June 30,	Total Bond and Interest Requirement	PUBLIC FACILITY IMPROVEMENT BONDS					
		BOND TOTAL		Series 1997		Series 1998	
		Bond	Interest	Bond	Interest	Bond	Interest
2009	\$ 14,503,236	\$ 2,440,000	\$ 12,063,236	\$ 450,000	\$ 324,542	\$ 1,020,000	\$ 724,960
2010	14,626,570	2,555,000	12,071,570	475,000	302,942	1,065,000	678,040
2011	14,588,539	2,655,000	11,933,539	495,000	280,142	1,125,000	622,127
2012	14,968,977	3,180,000	11,788,977	520,000	255,640	1,185,000	563,065
2013	<u>14,911,642</u>	<u>3,290,000</u>	<u>11,621,642</u>	<u>550,000</u>	<u>229,640</u>	<u>1,240,000</u>	<u>505,000</u>
Subtotal	<u>73,598,964</u>	<u>14,120,000</u>	<u>59,478,964</u>	<u>2,490,000</u>	<u>1,392,906</u>	<u>5,635,000</u>	<u>3,093,192</u>
2014	14,566,521	3,120,000	11,446,521	575,000	202,140	1,300,000	443,000
2015	14,621,380	3,345,000	11,276,380	605,000	173,390	1,370,000	378,000
2016	14,570,877	3,470,000	11,100,877	640,000	141,930	1,435,000	309,500
2017	15,245,407	4,315,000	10,930,407	670,000	108,650	1,510,000	237,750
2018	<u>17,234,414</u>	<u>6,530,000</u>	<u>10,704,414</u>	<u>705,000</u>	<u>74,313</u>	<u>1,585,000</u>	<u>162,250</u>
Subtotal	<u>76,238,599</u>	<u>20,780,000</u>	<u>55,458,599</u>	<u>3,195,000</u>	<u>700,423</u>	<u>7,200,000</u>	<u>1,530,500</u>
2019	17,113,053	6,740,000	10,373,053	745,000	38,181	1,660,000	83,000
2020	17,125,322	7,095,000	10,030,322	-	-	-	-
2021	17,166,034	7,490,000	9,676,034	-	-	-	-
2022	17,202,262	7,900,000	9,302,262	-	-	-	-
2023	<u>18,261,042</u>	<u>9,340,000</u>	<u>8,921,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>86,867,713</u>	<u>38,565,000</u>	<u>48,302,713</u>	<u>745,000</u>	<u>38,181</u>	<u>1,660,000</u>	<u>83,000</u>
2024	16,953,750	8,435,000	8,518,750	-	-	-	-
2025	16,873,750	8,770,000	8,103,750	-	-	-	-
2026	16,772,500	9,100,000	7,672,500	-	-	-	-
2027	16,660,000	9,435,000	7,225,000	-	-	-	-
2028	<u>16,506,250</u>	<u>9,670,000</u>	<u>6,836,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>83,766,250</u>	<u>45,410,000</u>	<u>38,356,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2029	16,571,250	10,335,000	6,236,250	-	-	-	-
2030	17,803,500	12,075,000	5,728,500	-	-	-	-
2031	17,926,666	12,785,000	5,141,666	-	-	-	-
2032	17,725,000	13,200,000	4,525,000	-	-	-	-
2033	<u>17,865,000</u>	<u>14,000,000</u>	<u>3,865,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>87,891,416</u>	<u>62,395,000</u>	<u>25,496,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2034	17,865,000	14,700,000	3,165,000	-	-	-	-
2035	17,830,000	15,400,000	2,430,000	-	-	-	-
2036	17,860,000	16,200,000	1,660,000	-	-	-	-
2037	<u>17,850,000</u>	<u>17,000,000</u>	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>71,405,000</u>	<u>63,300,000</u>	<u>8,105,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 479,767,942</u>	<u>\$ 244,570,000</u>	<u>\$235,197,942</u>	<u>\$ 6,430,000</u>	<u>\$ 2,131,510</u>	<u>\$ 14,495,000</u>	<u>\$ 4,706,692</u>

See accompanying independent auditors' report and notes.

PUBLIC FACILITY IMPROVEMENT BONDS

<u>Series 1999</u>		<u>Series 2000</u>		<u>Series 2001</u>		<u>Series 2001</u>	
<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
\$ 345,000	\$ 255,173	\$ 300,000	\$ 135,000	\$ -	\$ 980,000	\$ -	\$ 1,911,000
365,000	238,613	300,000	117,000	-	980,000	-	1,911,000
385,000	220,727	300,000	99,000	-	980,000	-	1,911,000
400,000	201,670	300,000	81,000	-	980,000	-	1,911,000
<u>425,000</u>	<u>181,870</u>	<u>300,000</u>	<u>63,000</u>	<u>-</u>	<u>980,000</u>	<u>-</u>	<u>1,911,000</u>
<u>1,920,000</u>	<u>1,098,053</u>	<u>1,500,000</u>	<u>495,000</u>	<u>-</u>	<u>4,900,000</u>	<u>-</u>	<u>9,555,000</u>
445,000	160,408	300,000	45,000	-	980,000	-	1,911,000
470,000	137,712	400,000	24,000	-	980,000	-	1,911,000
495,000	113,507	400,000	6,000	-	980,000	-	1,911,000
520,000	87,767	-	-	-	980,000	1,515,000	1,911,000
<u>545,000</u>	<u>60,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>980,000</u>	<u>3,470,000</u>	<u>1,836,764</u>
<u>2,475,000</u>	<u>559,601</u>	<u>1,100,000</u>	<u>75,000</u>	<u>-</u>	<u>4,900,000</u>	<u>4,985,000</u>	<u>9,480,764</u>
575,000	31,050	-	-	-	980,000	3,660,000	1,666,732
-	-	-	-	-	980,000	6,990,000	1,487,392
-	-	-	-	-	980,000	7,375,000	1,144,884
-	-	-	-	-	980,000	7,780,000	783,512
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>980,000</u>	<u>8,210,000</u>	<u>402,292</u>
<u>575,000</u>	<u>31,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,900,000</u>	<u>34,015,000</u>	<u>5,484,812</u>
-	-	-	-	-	980,000	-	-
-	-	-	-	-	980,000	-	-
-	-	-	-	-	980,000	-	-
-	-	-	-	-	980,000	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>980,000</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,900,000</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	980,000	-	-
-	-	-	-	7,415,000	980,000	-	-
-	-	-	-	12,585,000	616,666	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000,000</u>	<u>2,576,666</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,970,000</u>	<u>\$ 1,688,704</u>	<u>\$ 2,600,000</u>	<u>\$ 570,000</u>	<u>\$ 20,000,000</u>	<u>\$ 22,176,666</u>	<u>\$ 39,000,000</u>	<u>\$ 24,520,576</u>

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
SCHEDULE OF BOND PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR (CONTINUED)
June 30, 2007

Fiscal Year Ending June 30,	Series 2001		Series 2002		Series 2004	
	PUBLIC FACILITY IMPROVEMENT BONDS (Continued)					
	Bond	Interest	Bond	Interest	Bond	Interest
2009	\$ -	\$ 500,000	\$ 325,000	\$ 346,250	\$ -	\$ 500,000
2010	-	500,000	350,000	330,000	-	500,000
2011	-	500,000	350,000	312,500	-	500,000
2012	-	500,000	375,000	295,000	-	500,000
2013	<u>-</u>	<u>500,000</u>	<u>375,000</u>	<u>276,250</u>	<u>-</u>	<u>500,000</u>
Subtotal	<u>-</u>	<u>2,500,000</u>	<u>1,775,000</u>	<u>1,560,000</u>	<u>-</u>	<u>2,500,000</u>
2014	-	500,000	100,000	257,500	-	500,000
2015	-	500,000	100,000	252,500	-	500,000
2016	-	500,000	100,000	247,500	-	500,000
2017	-	500,000	100,000	242,500	-	500,000
2018	<u>-</u>	<u>500,000</u>	<u>125,000</u>	<u>237,500</u>	<u>-</u>	<u>500,000</u>
Subtotal	<u>-</u>	<u>2,500,000</u>	<u>525,000</u>	<u>1,237,500</u>	<u>-</u>	<u>2,500,000</u>
2019	-	500,000	-	231,250	-	500,000
2020	-	500,000	-	231,250	-	500,000
2021	-	500,000	-	231,250	-	500,000
2022	-	500,000	-	231,250	-	500,000
2023	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>231,250</u>	<u>-</u>	<u>500,000</u>
Subtotal	<u>-</u>	<u>2,500,000</u>	<u>-</u>	<u>1,156,250</u>	<u>-</u>	<u>2,500,000</u>
2024	-	500,000	-	231,250	-	500,000
2025	-	500,000	-	231,250	-	500,000
2026	-	500,000	-	231,250	-	500,000
2027	-	500,000	-	231,250	1,500,000	500,000
2028	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>231,250</u>	<u>8,500,000</u>	<u>500,000</u>
Subtotal	<u>-</u>	<u>2,500,000</u>	<u>-</u>	<u>1,156,250</u>	<u>10,000,000</u>	<u>2,500,000</u>
2029	6,430,000	500,000	3,725,000	231,250	-	-
2030	3,570,000	178,500	900,000	45,000	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>10,000,000</u>	<u>678,500</u>	<u>4,625,000</u>	<u>276,250</u>	<u>-</u>	<u>-</u>
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$10,000,000</u>	<u>\$ 10,678,500</u>	<u>\$ 6,925,000</u>	<u>\$ 5,386,250</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>

PUBLIC FACILITY IMPROVEMENT BONDS (Continued)

<u>Series 2005</u>		<u>Series 2005</u>		<u>Series 2006</u>		<u>Series 2006</u>	
<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
\$ -	\$ 700,000	\$ -	\$ 682,500	\$ -	\$ 1,750,000	\$ -	\$ 112,075
-	700,000	-	682,500	-	1,750,000	-	106,475
-	700,000	-	682,500	-	1,750,000	-	100,543
-	700,000	400,000	682,500	-	1,750,000	-	94,102
-	700,000	400,000	662,500	-	1,750,000	-	87,382
-	3,500,000	800,000	3,392,500	-	8,750,000	-	500,577
-	700,000	400,000	642,500	-	1,750,000	-	79,973
-	700,000	400,000	622,500	-	1,750,000	-	72,278
-	700,000	400,000	602,500	-	1,750,000	-	63,940
-	700,000	-	582,500	-	1,750,000	-	55,240
-	700,000	-	582,500	-	1,750,000	100,000	45,880
-	3,500,000	1,200,000	3,032,500	-	8,750,000	100,000	317,311
-	700,000	-	582,500	-	1,750,000	100,000	35,340
-	700,000	-	582,500	-	1,750,000	105,000	24,180
-	700,000	-	582,500	-	1,750,000	115,000	12,400
-	700,000	-	582,500	-	1,750,000	120,000	-
-	700,000	-	582,500	-	1,750,000	130,000	-
-	3,500,000	-	2,912,500	-	8,750,000	570,000	71,920
4,000,000	700,000	2,300,000	582,500	1,000,000	1,750,000	135,000	-
4,000,000	500,000	2,625,000	467,500	1,000,000	1,700,000	145,000	-
4,000,000	300,000	2,950,000	336,250	1,000,000	1,650,000	150,000	-
2,000,000	100,000	3,775,000	188,750	1,000,000	1,600,000	160,000	-
-	-	-	-	1,000,000	1,550,000	170,000	-
14,000,000	1,600,000	11,650,000	1,575,000	5,000,000	8,250,000	760,000	-
-	-	-	-	-	1,500,000	180,000	-
-	-	-	-	-	1,500,000	190,000	-
-	-	-	-	-	1,500,000	200,000	-
-	-	-	-	5,000,000	1,500,000	-	-
-	-	-	-	5,000,000	1,250,000	-	-
-	-	-	-	10,000,000	7,250,000	570,000	-
-	-	-	-	5,000,000	1,000,000	-	-
-	-	-	-	5,000,000	750,000	-	-
-	-	-	-	5,000,000	500,000	-	-
-	-	-	-	5,000,000	250,000	-	-
-	-	-	-	20,000,000	2,500,000	-	-
<u>\$14,000,000</u>	<u>\$ 12,100,000</u>	<u>\$ 13,650,000</u>	<u>\$ 10,912,500</u>	<u>\$35,000,000</u>	<u>\$44,250,000</u>	<u>\$ 2,000,000</u>	<u>\$ 889,808</u>

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
SCHEDULE OF BOND PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR (CONTINUED)
June 30, 2007

Fiscal Year Ending June 30,	Series 2007		Series 2008	
	PUBLIC FACILITY IMPROVEMENT BONDS (Continued)			
	Bond	Interest	Bond	Interest
2009	\$ -	\$ 750,000	\$ -	\$ 2,391,736
2010	-	750,000	-	2,525,000
2011	-	750,000	-	2,525,000
2012	-	750,000	-	2,525,000
2013	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>2,525,000</u>
Subtotal	<u>-</u>	<u>3,750,000</u>	<u>-</u>	<u>12,491,736</u>
2014	-	750,000	-	2,525,000
2015	-	750,000	-	2,525,000
2016	-	750,000	-	2,525,000
2017	-	750,000	-	2,525,000
2018	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>2,525,000</u>
Subtotal	<u>-</u>	<u>3,750,000</u>	<u>-</u>	<u>12,625,000</u>
2019	-	750,000	-	2,525,000
2020	-	750,000	-	2,525,000
2021	-	750,000	-	2,525,000
2022	-	750,000	-	2,525,000
2023	<u>-</u>	<u>750,000</u>	<u>1,000,000</u>	<u>2,525,000</u>
Subtotal	<u>-</u>	<u>3,750,000</u>	<u>1,000,000</u>	<u>12,625,000</u>
2024	-	750,000	1,000,000	2,525,000
2025	-	750,000	1,000,000	2,475,000
2026	-	750,000	1,000,000	2,425,000
2027	-	750,000	1,000,000	2,375,000
2028	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>2,325,000</u>
Subtotal	<u>-</u>	<u>3,750,000</u>	<u>4,000,000</u>	<u>12,125,000</u>
2029	-	750,000	-	2,275,000
2030	-	750,000	-	2,275,000
2031	-	750,000	-	2,275,000
2032	1,600,000	750,000	6,600,000	2,275,000
2033	<u>1,950,000</u>	<u>670,000</u>	<u>7,050,000</u>	<u>1,945,000</u>
Subtotal	<u>3,550,000</u>	<u>3,670,000</u>	<u>13,650,000</u>	<u>11,045,000</u>
2034	2,300,000	572,500	7,400,000	1,592,500
2035	2,650,000	457,500	7,750,000	1,222,500
2036	3,050,000	325,000	8,150,000	835,000
2037	<u>3,450,000</u>	<u>172,500</u>	<u>8,550,000</u>	<u>427,500</u>
Subtotal	<u>11,450,000</u>	<u>1,527,500</u>	<u>31,850,000</u>	<u>4,077,500</u>
TOTALS	<u>\$15,000,000</u>	<u>\$20,197,500</u>	<u>\$50,500,000</u>	<u>\$ 64,989,236</u>

See accompanying independent auditors' report and notes.



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September 19, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
The Public Building Authority
of Blount County, Tennessee
Maryville, Tennessee

We have audited the financial statements of the governmental activities and each major fund of The Public Building Authority of Blount County, Tennessee, (a component unit of Blount County, Tennessee), as of and for the year ended June 30, 2008, which collectively comprise The Public Building Authority of Blount County, Tennessee's basic financial statements and have issued our report thereon dated September 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Public Building Authority of Blount County, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Public Building Authority of Blount County, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Public Building Authority of Blount County, Tennessee's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect The Public Building Authority of Blount County, Tennessee's ability to initiate, authorize, record, process, or report financial data reliably in

accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of The Public Building Authority of Blount County, Tennessee's financial statements that is more than inconsequential will not be prevented or detected by The Public Building Authority of Blount County, Tennessee's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by The Public Building Authority of Blount County, Tennessee's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Public Building Authority of Blount County Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 08-1.

This report is intended solely for the information and use of the PBA Board of Directors, Blount County, Tennessee, management, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Ingram, Overholt & Bean, P.C.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Finding:

08-1 Expenditures exceeding Budget:

The Special Revenue Fund (Bond Fund) expenditures exceeded the approved budget by \$1,828,611. (Finding 07-1 at June 30, 2007)

Recommendation:

Although budgets are estimates, when it is realized that actual results may differ from original expectations, budgets should be amended to reflect current changes.

Management Response:

The unfavorable variance in the Bond Fund Budget is a direct result of the downturn of the Bond Financing Market. It is very difficult to estimate a year in advance of what this market and/or expenses will be.